

Privatization in Egypt

Quarterly Review
October – December 2003



Privatization Implementation Project

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LIST OF ACRONYMS

CAA	Central Auditing Agency
CBE	Central Bank of Egypt
CMA	Capital Markets Authority
ERP	Early Retirement Program
ERS	Early Retirement Scheme
FY	Fiscal year represented by the period 1-July to 30-June
GOE	Government of Egypt / Arab Republic of Egypt
HC	Holding Company
JV	Joint Venture
MFT	Ministry of Foreign Trade
MOTS	Ministry of Trade & Supply
MPE	Ministry of Public Enterprise
NA	Not Available
PBSIC	Public Business Sector Information Center
PE	Public Enterprise
PEO	Public Enterprise Office
PIP	Privatization Implementation Project
US	United States
USAID	United States Agency for International Development

Overview

Renewed investor interest in the Privatization Program can be recognized during the fourth quarter of 2003. In October, the Government of Egypt, represented by the Ministry of Public Enterprise, attended Investor Conferences in Dubai and Abu Dhabi as well as the Arab Financial Forum in Bahrain and met with many potential investors. Throughout December, several foreign delegations arrived in Cairo and met with the Public Enterprise Office to gain knowledge of selected companies available for sale. Finally, two conferences hosted in Egypt focused on foreign direct investment. Egypt Invest 2003 and Investment and Development Horizons in Sharm El Sheikh attracted hundreds of government and embassy officials, private investors, and business entrepreneurs.

Several recent indicators support privatization and investment in Egypt. Of the 38 companies tracked by the MPE before and after privatization, 35 of them realized higher revenues post-privatization. The Egyptian pound has been more stable against the US Dollar towards the end of the fourth quarter. Exports have increased 64% during the first seven months of 2003, while imports increased only 10% and the balance of trade deficit decreased by \$603 million.

The Government of Egypt continues to demonstrate its commitment to economic reform. President Mubarak appointed Farouk El Okda as Governor of the Central Bank of Egypt and issued a decree forming a new board of directors aimed at resolving a number of pending issues, including an effective currency float policy. A study is currently underway to determine the technical and legal implications of transforming the Cairo and Alexandria Stock Exchange into a private company. Mokhtar Khattab Minister of Public Enterprise said that the performance of Holding Company chairmen would be evaluated through comprehensive reports analyzing Holding Company financial positions, with the exception of loss making companies beyond the chairmen's control. Also, two proposals are before Prime Minister Atef Ebeid to resolve the public enterprise debt to the four state-owned commercial banks. One proposal is from the chairmen of four banks, which focuses on issuing debt backed by profits generated from public enterprise companies. The other, proposed by Minister of Finance Medhat Hassanian, integrates a package of procedures, which includes lowering the interest rate on the debt.

Several privatization transactions occurred during this past quarter:

- May Press
- The Medical Ampoules Factory of Al Nasr Glass & Crystal
- The Shoes Factory of Al Nasr Leather Tanning Company
- The Glass Bottling Factory of Al Nasr Glass & Crystal Company
- 3 Movie theatres

Tenders offered during the fourth quarter of 2003:

- Egypt Starch and Glucose (reissued)
- Aracemco

The Ministerial Privatization Committee approved a new Privatization plan for 2004 of 74 companies, 39 of which are to be carried over to 2005. Minister Khattab issued an official decree appointing Essam Abdel Fattah as the Executive Director of the Public Enterprise Office and Mohamed Hassouna as Deputy Executive Director. Abdel Fattah was formerly the supervisor of the Companies Restructuring Fund.

A new Prime Minister Decree no. 1880 was issued on November 17th, 2003. The decree sets benchmarks for the retirement age of leaderships in all public sector enterprises, companies and institutions. The decree is summarized in the following points:

- The normal retirement age is 60 years of age; any exceptional extension should not exceed two years above retirement age.
- It is prohibited to combine two jobs or positions (or chairmanship) at the same time in public enterprises, entities or companies.
- Public companies/enterprises and organizations have to appoint two deputies to the chairman from younger generation.

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MINISTRY OF PUBLIC ENTERPRISE

The Ministry of Public Enterprise (MPE), through its Public Enterprise Office, is responsible for managing and coordinating efforts towards Privatization of Public Sector Companies and divestiture of public sector stakes in joint Ventures (JV's). This section provides a description of activities of the privatization program related to Law 203 and JV companies including recent privatizations, activities to privatize companies, efforts to reduce debt, impact of a new exchange rate policy, status of privatization by capitalization, and tender announcements.

A. Privatization Accomplishments relating to Law 203 Companies

During the fourth quarter of 2003, the following law 203 companies were privatized:

1. Ideal Standard in September 2003 for the amount of LE 26 million
2. May Press in December 2003 for the amount of LE2.6 million
3. The Shoes Factory of Al Nasr Leather Tanning Company in November 2003 for the amount of LE2.2 million
4. The Glass Bottling Factory of Al Nasr Glass & Crystal Company in November 2003 for the amount of LE48 million
5. The Medical Ampoules Factory of Al Nasr Glass & Crystal in November 2003 for the amount of LE15 million
6. 3 Movie theatres one of which was not operating in December 2003 leased to an anchor investor.

Total Sales during 2003 amounted to LE141.5 million.

Table 1
Number and Types of Privatizations Through December 2003

Year	Majority Privatization (>51% sold)				Partial Privatization & Leases				
	Anchor Investor	Majority IPO	ESA	Liquidation	Majority Total	Minority IPO	Asset Sales	Leases	Partial Total
1991				4	4				
1992				1	1				
1993				1	1				
1994	3		7	2	12	1			1
1995		1	3	2	6	6			6
1996	3	14		1	18	6	1		7
1997	3	14	3	3	23	2	1	2	5
1998	2	8	12	6	28	1	3		4
1999	9		5	7	21		4	8	12
2000	5	1		3	9		6	8	14
2001	3		2	2	7		3	1	4
2002	1		2	1	4		4		4
2003							6	3	9
Total	29	38	34	33	134	16	28	22	66

Source: PEO; compilation and presentation by PIP

B. Privatization Plan 2003/2004

The MPE has selected a tentative list of 74 Law 203 companies to be privatized during FY2003/2004. The Privatization Ministerial Committee announced their approval during its recent meeting in November 2003; the list will then be revisited by the Holding Companies next quarter.

Table 2
Law 203 Companies Privatization Plan 2003/2004

Holding Company	Affiliate Company
Chemical Industries	Transport and Engineering Co
	Al Nasr Electrical Apparatus -Neeasae
	Egyptian Light Transport
	Al Nasr Television
	Alexandria Sodium Carbonate
	Al Nasr Salines
	Egyptian Pipes- SIEGWART
	Tractors And Engineering
	Al Nasr Rubber Products-Narobin
	Springs Manufacturing Co.
	National Plastic
	BATA shoes
	General Trade & Chemicals
	Dyestuffs and Chemicals
	Al Nasr Leather Tanning
	Paper Manufacturing- VERTA
	Al Nasr Particle Board & Resins
	Paper Manufacturing- RAKTA
Spinning, Weaving & Ready made garments	Misr for Rayonne
	Al Nasr Wool-Wooltex
	El Seyouf Spinning & Weaving
	ESCO
	Sharkeya Spinning
	Mit Ghamr Spinning
	Menya El Kamh Spinning
	General for Jute products
	El Mahmudeya Spinning
	Kom Hamada spinning
	Cairo Dyeing & Finishing
	Misr for Textile Equipment
Trade	Al Nasr Export & Import

	Sednawi Department Stores
	Product Sales Co.
	Modern Wear- Ads Rivoli
	Commercial Co For wood
	Misr Car Trading
	Hannaux Fashion Wear
	Omar Effendi Shops
Metallurgical Industries	Al Nasr Automotive
	Egyptian Copper Factories
	Al Nasr Steel Pipes
	Delta Steel
	Egyptian Metal Construction-Metalco
	Al Nasr Forging
	Cairo metal Products
	River Transport Co
	General Metal Co.
	Al Nasr Cooling-KOLDAIR
	Egyptian Irrigation workshops
	Porcelain & Dinnerware-SHINI
	Alexandria for Metal Products
	Precision Industries- SABI
	Sornaga Ceramics
Construction	Nile General Engineering
	Al Abd Contracting
	Red Sea Contracting
	Cairo General Contracting
	Alex Contracting
	Atlas general Contracting
	General Constructions Co- Roulan
	Nile General Contracting
	El Wady El Gedid Contracting
	Arab General Contracting
Food	Misr Dairy Products
	Rice Marketing Co
	Edfina For Preserved Food
Inland and Maritime	Egyptian Inland Transport Services
	Alex for Car Servicing
	Middle Egypt Bus
	Nile Car Repair

	Engineering Co. for Autos
	Egyptian Navigation
	Upper Egypt Bus
	West Delta Bus

Source: PEO; compilation and presentation by PIP

C. Holding Company Performances Ending June 2003

In the previous two quarterly reports we briefly presented the performance of some law 203 companies affiliated to each holding company. This quarter we will present the holding companies performance for the fiscal year ending June 31, 2003.

1. Chemical Industries Holding Company (CIHC)

Revenues

The HC affiliates realized total revenue of LE 4586 million for FY June 2003 compared to LE 4228 million, an 8% increase from the previous year. On the other hand, the former Engineering Industries Holding Company (EIHC) affiliates, which moved to the Chemical Holding Company during the year and are recorded separately, realized total revenue of LE 366.1 million for FYE June 2003 compared to LE 371.5 million for FYE June 2002 a decrease of 1.5%.

Exports

Exports amounted to LE 327.8 million for FYE June 2003 compared to LE 246.1 million for FYE June 2002, an increase of 33%, while the former EIHC affiliates realized total exports of LE 13.1 million for FYE June 2003 compared to LE 45.8 million for FYE June 2002, a decrease of 28.6%.

Net profit

Net profit amounted to LE 454.9 million for FYE June 2003 compared to LE 580.2 million for FYE June 2002, a decrease of 22%, while the former EIHC affiliates realized net losses amounting to LE 472.7 million for FYE June 2003 compared to LE 233.3 million a decrease of 50%.

Table 3
Summary of the Chemical Industries HC Financial Results for FYE 2003

(LE 000)

Description	HC Chemical Industries	HC Engineering Industries	Total
Number of Affiliated companies	21	8	29
Paid-in Capital	1,412,353	404,851	1,817,204
Loans and Overdraft	2,832,793	1,390,012	4,222,805
Revenues	4,585,687	366,091	4,951,778
Profits before taxes & provisions	765,953	-	765,953
Net profit after taxes	454,916	(472,7)	454,443

Source: PEO

Workforce

Total salaries paid to employees of the Chemical Industries HC affiliates amounted to LE 596.1 million for FYE June 2003 compared to LE 567.5 million for the year ended June 2002 indicating an increase of 5%, while total salaries paid for the employees of the former

EIHC affiliates amounted to LE 127.2 million for FYE June 2003 compared with LE 123.2 million for FYE June 2002, an increase of 3%.

The total number of employees of the HC Chemical Industries affiliates reached 38,367 employees for FYE June 2003 compared to 39,734 employees for FYE June 2002, while the total number of employees of the former EIHC affiliates reached 38,367 employees for FYE June 2003.

Loans and Overdrafts

The total loans and overdrafts for the Chemical Industries HC affiliates reached LE 2,833 million at FYE June 2003 compared to LE 2,587 million for FYE June 2002 indicating an increase of 8.7%, while the total loans and overdrafts due for the former EIHC affiliates reached LE 1,390 million for FYE June 2003 compared to LE 1,200 million for FYE June 2002, an increase of 13.6%.

2. The Holding Company for Housing, Tourism, & Cinema

The Holding Company for Housing, Tourism, and Cinema (HT&C), oversees eight affiliate companies following the merger of “Delta General Contracting Co.” and “Al Gomhuria Contracting Co.”. Following is a list of the HT & C affiliate companies:

1. EGOTH
2. Misr Hotels
3. Misr Tourism
4. Misr Sound & Light
5. Misr for Cinema Production and Distribution
6. El Nasr for Housing and Developments
7. El Ma'moura for Housing and Developments
8. Al Gomhuria for Housing and Contracting

Table 4
Summary of the Housing, Tourism and Cinema HC Financial Results

(LE 000)

	June 2002	June 2003
Total Revenues	998,866	1,018,693
Net Profit Before Taxes	357,827	364,796
Wages	103,142	111,673
Employees	6,548	6,182
Total Debt	90,794	53,864

Source: PEO

- Aggregate affiliate companies' net profit before taxes in 2003 amounted to LE 364.8 million, compared to LE 357.8 in 2002, a 1.9% increase.
- Operating revenues in 2003 amounted to LE 843.9 million, compared to LE 799 million in 2002, a 5.6% increase.
- Wages in 2003 amounted to LE 111.7 million, compared to LE 103.1 million in 2002, an 8.3% increase.

- The number of employees amounted to 6,182 at FYE 2003, compared to 6,548 at FYE 2002.
- The average annual salary per employee amounted to LE 18,064 in 2003, compared to LE 15,752 in 2002, an increase of 14.6%.

3. The Holding Company for Trade

The Holding Company for Trade (HCT) works in two main domains; retail, which includes companies such as Omar Effendi, Hannaux, Benzaion and Sednawy; and foreign trade, which includes companies such as El Nasr for Exports and Imports, Mist For Exports and Imports, Misr Foreign Trade Company, Misr for Automobile Trading, and Woods Trading Company.

During FY 2003 a decrease in EBIT occurred mainly due to losses realized by affiliates working in the retail domain. A decrease in exports occurred due to a decrease in two companies; El Nasr for Exports & Imports and Misr Foreign Trade Company. A 14% decrease in inventory was achieved through several “sale” strategies coupled with reduced purchases.

The financial results for the Holding Company declined in general. This occurred due to several factors including the liberalization of the foreign exchange market, which resulted in depreciating the value of the Egyptian Pound, lack of liquidity, decreasing availability from banks credit, increasing transportation costs and off-shore insurance, and excess labor.

Table 5
Summary of the Trade HC Financial Results

(LE 000)

	June 2003	June 2002	% Change
Exports	73,610	156,175	-53%
Interest Paid	141,296	128,303	10%
Inventory	405,282	470,297	-14%
Accounts Receivable	1,486,823	1,488,512	0.1%
Bank Debt	2,485,641	2,379,929	4%
Retained Earnings	- 1,049,507	- 751,664	-40%

Source: PEO

4. The Metallurgical Industries Holding Company

The Metallurgical Industries Holding Company (MIHC), oversees thirty-three affiliate companies following the merger of eight companies from the affiliate companies of the Engineering Holding Company. The Affiliate companies are categorized as follows:

- 1- Twenty three going concern companies
- 2- Ten companies under liquidation

Table 6
Summary of the Metallurgical Industries HC Financial Results

(LE 000)

	June 2002	June 2003
Total Revenues	4,732,764	5,425,391
Net Profit before interest and taxes	501,422	793,940
Wages	876,333	914,897
Employees	60,969	57,462
Net Profit before taxes	501,500	793,900

Source; PEO

- Aggregate companies' net profit before interest and taxes in FYE 2002 amounted to LE 501.5 million, compared to L.E 793.9 million in FYE 2003, a 58% increase.
- Revenues in FYE 2002 amounted to LE 4,733 million compared to LE 5,425 million in FYE 2003, a 15% increase
- Total wages in FYE 2002 amounted to LE 876.4 million, compared to LE 914.9 in FYE 2003.

5. The Holding Company for Maritime & Inland Transport

The Inland and Maritime Transport Holding Company data reflects improved financial results for the fiscal year ending June 31, 2003 as compared to the fiscal year ending June 31, 2002. Efficient management efforts of the affiliated companies taking measures to increase revenues and reduce costs as well as the Holding Company's financial and technical assistance were all reasons behind the overall positive performance of the companies.

During this period, aggregate profits of the affiliated companies slightly increased by 1.6% (from LE 283.9 million to LE 288.5 million) whereas companies formerly affiliated with the Engineering Industries Holding Companies (EIHC) incurred losses of nearly LE 1 million as compared to profits of LE 1.99 million in FY 2002.

Table 7
Net Profit After Tax for HC Affiliates and Former EIHC Companies

(LE 000)

Description	June 2002	June 2003
Total Profit of affiliated Companies	283,944	288,500
Total Profit of former EIHC Companies	1,990	-963
Total	285,934	287,537

Source; PEO

Although the Holding Company witnessed a positive increasing financial performance during that period, there were events that negatively affected the progress of the company. Among these are:

1. The war in Iraq; and

2. Prime Minister decree no. 940 of 2003 relating to entailing the ownership transfer of three companies (with a net loss of LE 963,000), previously affiliated with the Engineering Holding Company, to the Inland and Maritime Transportation Holding Company.

In addition, the maritime transportation activity was negatively affected by:

- Likewise, the conditions associated with the War in Iraq in March 2003 that slowed down transportation channels in the region;
- The newly adopted monetary policy of floating the Egyptian pound against foreign currencies. This brought about the depreciation of the Egyptian pound, an increase of imports' costs and, hence, the decrease in transported imports; and
- The aggressive competition of the private sector that is not burdened by high equipment and employment costs.

Inland transportation activity factors affecting performance were:

1. Commodities transportation was negatively affected mainly by the increasing maintenance and replacement costs for old fleet, as well as the recession witnessed by the transportation sector.
2. Passengers' transportation was influenced by the decrease in tourists' number in North and South Sinai due to political considerations.

Regarding former EIHC companies (now affiliated with the Transportation HC), these suffer from a lack of cash, weak financial structures and high bank debt.

D. Law 203 Tender Announcements

Egyptian Starch & Glucose Company was offered for sale during September 2003. Closing date was extended upon the request of some investors to January 10th, 2004. The Holding Company has received several offers through public announcements in the newspapers from serious investors. Offers are under negotiation.

Aracemco was also tendered on December 20th, 2003 the holding company is expected to receive offers starting January 25th, 2004.

Table 8
Announcements during the Fourth Quarter – 2003

Company Name	For Sale	Tender Announced	Expected Closure	Status
Egyptian Starch and Glucose	Shares	30/9/03	12/1/2004	Open Tender
Aracemco	Shares	23/12/04	-	Open Tender

Source: PEO; compilation and presentation by PIP

E. Investor Interest

The Government of Egypt received several delegations of foreign investors during the fourth quarter. A symposium was organized by the Swiss Embassy in Cairo in cooperation with the Ministry of Industry in regard to the spinning and weaving sector, where up to 26 companies are planned to be tendered soon. Korean and Italian delegations also visited Egypt. Austrian companies also expressed interest in investing in Egypt's iron and steel industry.

International and Development Horizons

An Investment and Development Horizons Conference was held in Sharm El Sheikh December 2- 5, 2003. The main focus of the conference was to discuss specific investment project between Arab countries and Arab investors, attracting Arabian funds to implement projects, attracting multinationals and hi-tech companies to implement targeted projects, initiating Arabic and National institutions to achieve economic prosperity, and maximize benefits with donor agencies to create economic integration. Conference participants included Arab Ministers, Governor of South Sinai, Arab and foreign Ambassadors to Egypt, Arab labor organizations, Arab chairwomen of business associations, Arab women leaders, Arab and foreign businessmen (Canada-France-China-Germany), Heads of Arab international financing funds, Federation of Islamic Chambers and Investors' associations. The themes covered were:

- Laws for protecting investment
- New local policies to attract foreign investment and encourage trade
- Investments opportunities
- Demonstrations of successful investment project in the Arab region
- Private sector experiences – success and obstacles
- Obstacles facing regional and international integration, proposed solutions
- Arab business woman in achieving progress and economic cooperation
- Example of successful businesswomen and their contribution to development progress

EgyptInvest 2003

In early December, the EgyptInvest 2003 conference brought together dozens of speakers and several hundred attendees with the purpose of attracting foreign direct investment to Egypt and encouraging bilateral trade. The focus was new thinking on policies and strategies for attracting foreign direct investment as a means to balance the budget, reduce trade deficits and stabilize the national currency.

The conference attracted attendance from the Ministries of Foreign Affairs, Foreign Trade, Public Enterprise Office and Supply and Internal Trade, as well as Ambassadors and commercial attaches from embassies including Ireland, Russia, Chile, Denmark, United Kingdom, Austria, Italy, South Africa, USA, Finland, Romania, Poland, Pakistan, Netherlands, Japan, Hungary, Spain, Germany, France, Cyprus and the Czech Republic. Representatives also came from the World Bank group, International Financial Corp., Council of Arab Economic Unity, European Union, United Nations, UN Committee and Trade and Development and the American-Egyptian Chamber of Commerce.

Throughout the 2-day conference, topics presented were:

- Why invest in Egypt
- Global trends in investment and trade
- The investment climate in Egypt – SWOT analysis
- Banking and Finance
- Privatization, mergers and acquisitions
- Egypt as a platform to COMSEA, EU, Arab countries
- Protecting the investor's rights
- The multinationals and investors' perspective on investing in Egypt
- International co-operation and the role we all should play
- Promoting Investment and FDI in Egypt

The themes and panel discussions prompted audience reactions, particularly surrounding the government's assurances to assist investors, supporting investor's rights and government policies impacting trade. Mahmoud Mohei El Din, Head of the National Democratic Party's Economic Committee stated at Egypt Invest that the NDP supports the recent actions by the Central Bank of Egypt and supports the liberalization of the exchange rate policy and expects the Central Bank of Egypt to fully implement the policy.

Among the exhibitors, the MPE hosted a booth to promote 25 specific companies, distributed advertisements, fact sheets and CDs containing financial information. Minister Khattab prepared a speech, presented by Hamdy Rashad, Executive Director of the PEO.

The Following is the Minister's Speech

Allow me to thank I.E.P. the organizer of this event for creating an opportunity to share with you some of our experience in dealing with the investment community through our public enterprise reform and privatization program since 1991.

It is true that the right way is quite often the hard way. Since the late eighties, Egypt has chosen the right way to attain sustainable development, achieving steady progress in the liberalization and reform of its economy. "Integration" into the world economy has replaced the notion of "closed economy", and "market forces" are rapidly substituting the "central planning" mechanism for the allocation of resources among the various sectors of the economy. These policies were reflected in the introduction of increasing "investment incentives", and –simultaneously- the decline in "protectionist measures" associated with the socialist ideology.

To that end, the transfer of state-owned-enterprises (SOEs) to private entrepreneurs, the so-called "privatization", plays a pivotal role in the transition from the dominance of the state-lead public sector. It is one of, if not the, best indicator of the government of Egypt's (GOE) commitment to the 'lesser faire' dictum. It involves actual withdrawal of government from crowding out private initiatives in several business sectors, through the sale of state-owned assets. Since this forum is all about investment in Egypt and the prevailing investment climate, allow me to pinpoint the fact that 'privatization' represents one of two options available to a

local or foreign investor. They can either buy an existing project or facility that is already operational, or –on the other hand- to establish a Greenfield project from scratch.

Selling SOEs to private hands to upgrade their assets and efficiencies in order to survive in a competitive market is evidently much better to those entities and to the overall economy than to expose them to a flood of cut-throat competition as the government deregulates and opens up one sector after the other.

Hence, and in light of the above, we will elaborate hereby on some major characteristics of our program and policies adopted. Some of which attempt to make the alternative of taking over an existing state-owned-enterprise as lucrative or even more attractive to the investor than a Greenfield project. After all, the choice of take-over of existing operational facilities has its advantages in terms of saving time, promotional and marketing cost to penetrate the market, and retaining skilled labor.

A. An all-winners approach

The success of any privatization program is believed to depend mainly on building bridges of trust between the government and the potential investors. This was extremely critical in the case of Egypt, where a socialist regime prevailed for decades during which nationalization of private projects occurred.

It was therefore mandatory to prepare a healthy climate and pave the road for the kick-off of the program both for the benefit of the potential buyer; i.e. the investor, as well as for the benefit of the seller; i.e. the Government.

One of the evident success factors in the Egyptian privatization program is the fact that the government believes in the mutual interest of both the buyer and the seller, and that privatization is not a "zero-sum game". We believe that both parties are in the same boat.

This "all-winners" approach reflects the government's keen interest in the future of the companies after privatization. Since the primary objective of the "Public Enterprise Reform and Privatization Program" is to "improve efficiency of the public enterprises and enhance their contribution to the national economy". Transfer of ownership to private hands -more capable of restructuring- comes as one of the means to achieve this explicit objective, and is in line with the government's policy to give full support to private sector.

B. Sustainability and Steady Progress

Privatization has been a cornerstone in attracting investors to Egypt, and a setback in this program could have seriously harmed the rating of our investment climate worldwide, leading to a serious distortion in the economy by and large.

Hence, the Egyptian Program for the reform of the public enterprises had to be stable and sustainable. It survived several slow downs since 1991, but we always managed to keep the wheel rolling, thanks to the several features, of which we highlight the following:

B-1. Independence:

The management of the program was always independent of any external pressures to move faster or slower. Having said that, it is only fair to mention that guidance from international organizations was essential and quite useful.

B-2. Adapting the Pace to Prevailing Circumstances:

Progress of the program so far witnessed several "take-off" periods as well as shifts to the opposite "slowly but surely" approach. Swimming against the tide could have caused an adverse effect, like in tough times of the collapse of far eastern economies, and after the September 2001 disaster, as well as during the most recent war in the Gulf. This is not to say that efforts were curtailed, but rather fine-tuned to adapt to circumstances. During tough times we concentrated on restructuring and bringing more companies to the point of sale in order to be ready for offering in the appropriate time.

B-3. Laying the Proper Grounds Before the Take-off:

From the kick-off of the program in 1991 to 1995 a number of preliminary steps were taken to lay the ground for our program. This meant providing the infrastructure needed for a smooth progress, preparing public opinion, preparing of the legal framework, getting the stock market ready for offerings, as well as flotation of minority stakes in 15 public enterprises through the Stock Market.

B-4. Studying Experiences of Other Countries:

It is wise to start where others left, to avoid repeating their mistakes and capitalize on the relevant lessons learned. Those steps included studying other country experiences and the lessons learned from more than 16 programs. Our exposure covered programs in developed as well as developing countries, successes as well as failures, using secondary sources like researches and World Bank papers, as well as primary sources of information by inviting top officials from those countries to present their experience. To mention but a few, we studied the privatization in UK, USA, Germany (the Troihand), Far Eastern countries (Malaysia, Phillipines, Singapore, Korea...), and Latin American (Brazil, Bolivia, Argentina, Chile.) as well as East European experiences (Poland, Czech Republic, Hungary...).

Conclusively, we can say that the sustainability of our program rested on several pillars, and has remarkably served to stabilize our investment climate.

C. Flexibility in Selection of Divestiture Strategy

If anything, the Egyptian program has been and still remains a case of success to be studied in one major respect: how to adapt selling strategies to changing circumstances and to market demand.

After the preparatory stage of the first half of the nineties, several stages followed, each characterized by more focus on a selling strategy versus the other techniques. This came as follows:

C-1 The Stock Market (take-off) stage

Started in early 1996 with the stock market absorptive capacity untested. As the, arket developed its capacity increased in response to famous milestone Initial Public Offerings (IPO) such as the transaction of Al Nasr City for Housing and Egyptian Financial and Industrial Company. This stage continued 1997, until the stock market recessionary trend began. It witnessed close to 80% of the number of IPOs in the history of the program.

Anchor investor transactions started to catch up with sales like Al Ahram Beverages in 1997, paving the road for the next stage, which began focusing on sale to anchor investors.

C-2 Anchor Investor Stage:

Characterized by much more emphasis on the sale of majority shareholdings to specialized strategic/anchor investors, so far this stage accounted for around 70% of all anchor investor transactions finalized during the period from 1998 through 2001. This strategy encompassed three sub-strategies for implementation of the sale:

Sale of majority or 100% stake in the shares of an affiliate, like in Beni Sweif and Asyut Cement, Industrial Gases, Delta Sand Bricks, Nobaseed and others.

Sale of a remaining minority stake owned by the holding company in a previously floated company, hence creating a chance for small stock market shareholders to sell their shares to the new buyer, who was obliged to buy them as a precondition for the sale. Examples of that included Amreya Cement and Torah Cement.

Utilizing "hybrid" of more than one technique as was the case with the lease plus deferred sale of Abu Zaabal Fertilizers Company by the end of 2001. This transaction is a vivid demonstration of the willingness of the government to exercise utmost flexibility in the technique of sale used so that they can meet with the investor at a point.

C-3 Asset Unbundling Stage: Sale and Long Term Lease of Assets

This technique marks the current stage of the program. It started in 1999 since it involves a sale to a strategic/anchor investor but of an asset –i.e. part of the company- rather than shares of the entire affiliate.

"Asset unbundling" again is a clear evidence of the commitment of the government to privatization as a means to reform public enterprises. Sale of major assets to anchor investors boomed since 1999 till now, with 44 transactions finalized to date.

C-4 Other Techniques

It is worth mentioning that more techniques have been utilized in the lifetime of the program, like sale of 34 companies to their Employee Shareholders Association, as well as liquidation of 33 companies, and sale of minority stake in 16 companies.

Also, recently, a privatization technique new to the case of Egypt has been put to the test, the "Capitalization" technique, through which the private investor subscribe to an increase in the capital of the affiliate SOE, rendering the stake of the Holding Company a minority stake. It provides the investor with the advantage of retaining the proceeds he paid in the capital increase in the company itself as cash to be utilized later on for development and renovations. Currently this technique is promoted for the privatization of 8 companies.

The following table sums up the achievements to-date classified by the divestiture technique used, by number of transactions and by value:

Sale to anchor investors	29 cos. for LE 6.9 billion
Sale as majority IPO	38 cos. for LE 6.1 billion
Sale to Employee ESA	34 cos. for LE 1 billion
Sale/long term lease of assets	44 assets for LE 0.88 billion
Sale of minority stake	16 cos. for LE 1.7 billion
Liquidations	33 cos.

Totals: 192 transactions for LE 16.7 billion

It is worth highlighting the fact that out of the total sales value of LE 16.7 billion around 40% involved inflows of FDI to Egypt. Coming from all across the globe from USA to Mexico to Portugal, German, UK, France, Greece, beside Gulf Countries

C-5 Sale of Stakes in Joint Ventures

Currently, we are activating another arm of the program the selling of public sector stakes in the 641 Joint Venture entities. This is intended to serve multi-purposes, including reactivating the stock market, and stimulating FDI and local investments. Recently, three substantial transactions were finalized, yielding around LE 346 million in proceeds, and stimulating the stock market.

D. Communication with the Buy-side

Communication with the investment community has always been effective as a tool for decision-makers to detect the market signals and respond to investors' perceptions and preferences. The following measures all supported by actual cases demonstrate this c:

- The solicitation of interested promoters and investment bankers to enlist with the MPE in 1998. Today, there are more than 38 cases where promoters were assigned companies to take to the market. Part of their assignment was to conduct market sounding for the assets under sale.
- More than 20 sessions and workshops were held since 1999 with promoters through USAID-funded projects.
- Two-way communication has been fruitful in "market-testing" of new ideas and techniques like the privatization through capital increase subscribed to by private sector, so called "capitalization".

E. Optimization: Preparing companies for Privatization

This parameter in our program represents the government's commitment to "optimize" the size of the company before transferring it to private entrepreneurship. This "optimization" includes the size of labor, size of assets, as well as the financial mix. We believe that no investor should be made to pay the cost of historical usage of public enterprises for social purposes.

It is the right of strategic investor to demand that the heritage of problems that weigh heavily on the public enterprises be lifted and remedied prior to any transacting. It is a solid commitment of the government to take responsibility of those problems even if it means paying a high cost. It is clear that in order to have a successful privatization program the alternative investment that the government offers the investment community in the form of existing public enterprises and assets should be at least comparable to the other alternative made available by the same government in the form of green field projects, which come with a package of incentives.

E-1 Financial and labor restructuring

Those two means of "expensive" restructuring were inevitable in order to make our companies attractive investment opportunities.

- Optional early retirement of 185000 workers was completed at an average cost per worker of more than LE 24000, and a total cost of LE 4.5 Billion. This has relieved the affected companies of around LE 1 billion annually in salaries for those early retirees, a return on investment of 30%.
- The settlement of excess debts produced a decline in bank debt of LE 12 billion from LE 39 billion in 1996 to LE 26 billion in 2000. This is a saving of LE 1.8 billion in interest annually. The cost of settlement from privatization proceeds amounted to LE 4.3 billion.
- Transferring 73 companies from loss-making companies in 1993 to profitable ones in 2002 according to their audited financials. This number corresponds to around 23% of the initial portfolio of 314 companies.

E-2 Providing Package of Incentives to the Investor

The efforts vested to maintain continuous progress deserve much more credit than the achievement that counts on the score-sheets. Ironically enough, when transactions are completed little does many observers know about the diligent and sincere efforts that made this happen.

Following is a reminder of some of the GOEs decisions to try to resolve the issue of overvaluation and get closer to the investor's perception of the "value" of our companies:

- In 1996, the Ministerial Committee issued its decree stipulating that land must be revalued according to prices in nearest new industrial communities. This contributed to bringing down the valuations in all the companies remaining with the MPE, in some cases to less than one tenth the initial value of land.
- Another decree was issued in 1997 by the ministerial committee to transfer ownership of idle assets to the Holding companies in order to downsize and optimize the size of investment.
- Decree by the ministerial committee to transfer "utilized" lands to the Holdings upon the request of investors, and re-leasing those assets back to the company under sale for long terms reaching 25 years.
- Most recent decree by the ministerial committee in June 2001 declaring for the first time the precedent of accepting "historical book value" as the reserve price on the sale of distressed companies.
- The same decree by the ministerial committee points out the fact that the government will assume the debts and excess labor not needed by the investors. Also, it declared readiness to transfer inventory or receivables to the holding companies upon the request of the potential investors.
- By the end of 1998, articles of Law 203 were changed to allow the General Assemblies of Holding Companies to accept bids below the initial reserve price. This has been applied in around 10 transactions to the extent that the ministerial committee under special circumstances endorsed bids reaching 35% of valuation. Since 1998, several cases have set unexpected precedents of ultimate flexibility from the sellers side, the HCs showed willingness to negotiate with investors who presented bids that were as low as one fifth of the initial valuation in some cases!

Implementation of those decrees and the flexibility of the GOE all contributed to each and every transaction in some way or another. Most recent decrees are expected to impact the market eventually

F. Maintaining the Transparency of the Process

The integrity of our program is unquestionable. To preserve a healthy environment in the process of sale to anchor investor, starting from the choice of PEs slated to be privatized, to the valuation and the due diligence and ending with the signing of the contract, the government has laid the proper groundwork.

- Decision making process does not suffer any bottlenecks, since no decisions throughout the process are taken by individuals, but rather by boards or committees.
- The ministry of public enterprise prepares white books for each and every transaction, documenting all details of the transaction.
- The highest monitoring authority, the Central Auditing Agency (CAA), is heavily involved in the process at several stages, starting with the valuations review, to the auditing of the books of the Restructuring Fund, which handles the inflow and outflow of proceeds from privatization.
- Clear, comprehensive and official "Guidelines of the Public Enterprise Reform Program" were issued by the ministry in 1993, and updated in 1996.
- No transaction is concluded without due competitive process.

G. Facing the Challenges

There are several challenges ahead of us. Some of which are internal and are being addressed gradually by the ministry and the holding companies and other relevant parties, and some are external where the controlling variables are not within our domain or authority, some of these challenges are:

- The Decline in Foreign Direct Investment inflows worldwide.
- The inevitable impact of the World Trade Organization (WTO) agreement on some sectors like the pharmaceuticals and textiles.
- Status of the existing 178 public enterprises requiring expensive restructuring as well as management restructuring.
- The recession experienced since 1997 in the stock markets all over the world.
- Continuous regional instabilities and conflicts in the region.

The Ministry of Public Enterprise to hedge against these threats is adopting several measures.

We are dedicated to the utilization of "privatization" as a mechanism for the restructuring and insuring the "going-concern" of our public enterprises. This will secure a better future and contribution to the economy under competitiveness.

The indicators of a sample of 60 of the sold companies show the following:

- Increase in sales and in profitability in 70% of the sample.
- An increase in self-financing increasing equity by around 52%,
- This was coupled by decline in debts owed to banks by around 20%.

This is a very promising indication that the ultimate goal behind privatization is being attained.

Conclusion:

Our privatization program is moving forward and will expand despite the difficult regional and international circumstances.

Our prospects rest on well-constructed pillars, and we have the commitment and the will to proceed, and "where there is a will, there is a way".

Thank you for your kind attention and hope to meet in other events. Wishing you success and prosperity in Egypt.

F. Public Announcements

Privatization related public announcements disseminated in the press during the reported period are translated and presented hereafter.

No Privatization of Fertilizer Companies

Minister of Public Enterprise Mokhtar Khattab denied that there would be any privatization of fertilizer production companies for the time being in order to protect the welfare of Egyptian farmers. Khattab stated before the Peoples Assembly proposals and complaints committee that the decision recently made by the Prime Minister concerning the handover of the entire production of fertilizers companies to the main Agricultural Development and Credit Bank had the objective of preserving the market's stability and prices as well as making sure that fertilizers reach farmers in the local market instead of export markets.

Al Alam Al Youm 30/12/2003

LE 3.1 Billion in Losses in 59 Public Enterprise Sector Companies

Fifty-nine public enterprise sector companies realized losses of LE 3.117 billion during the past year. A total of 26 companies realized the best profitability improvement performance with improvements in profits ranging from 105% to 155.7% relative to last year. A total of 51 companies realized profits of LE 78 million, and 68 companies recorded profits of LE 2.390 billion. A Council of Ministers report indicated that current activity revenues had increased to LE 82.2 billion, an increase of 2% relative to the prior fiscal year.

Al Wafd 29/12/2003

El Danf: Five Companies On Their Way to Privatization

Adel El Danf, Chairman of the Metallurgical Industries Holding Company, stated that the company completed the preparation of the valuation of the Alexandria Refractors Company and that it would be offered up for privatization in the very near future. El Danf added that the Central Accounting Agency approved the share value calculated for Aracemco Ceramics Company, and that the remaining interest in the company would be sold off according to the purchase offers system. The Holding Company will have only five companies left to be privatized in its 2003-2004 plan following its success in selling off the assets of the Nasr Glass and Crystal Company. The five companies are; Delta Iron, General Metals Company, General Porcelain and Ceramics Company, Sornaga Ceramics, Cairo Metallurgical Projects, in addition to remaining interests in joint venture companies.

Al Alam Al Youm 25/12/2003

Changes in Leadership Positions in the Ministry of Public Enterprise

Minister of Public Enterprise Mokhtar Khattab issued an official decree yesterday appointing Essam Abdel Fatah 38 years of age, who is currently the supervisor over the Companies Restructuring Fund as the head of the Public Enterprise Technical Office, and Mohamed Hassouna, 35 years of age, an expert financial analyst, as the deputy head of the Public Enterprise Office manager. Hamdy Rahsad, the Director of the Public Enterprise Technical Office had submitted his resignation to Khattab last week. Khattab stated that the selection of two individuals to carry responsibility for this area is a reflection of the MPE's increased reliance on younger leaders over the coming period.

Al Alam Al Youm 21/12/2003

LE 1.3 Billion for the Restructuring of Metallurgical Industries Companies

The latest report on the activity of the Metallurgical Industries Holding Company and performance results for the fiscal year 2002/2003 show that the company is still executing its strategy regarding the implementation of the early retirement scheme as one of the important and effective elements in the reform of distressed companies and alleviating the wages burden in other companies. The report shows that the total number of employees subject to the voluntary early retirement scheme in the holding company and affiliated companies to 30/60/2003 totaled 18,989 workers this has cost the holding company a total of LE 58 million, and resulted in annual savings of LE 16 million. As for companies under liquidation, the total number of workers who left under the early retirement package totaled 37582 workers in all, at a total cost to the holding company of LE 1207.9 million, realizing an annual saving of LE 367 million in wages.

Al Abram 21/12/2003

Khattab: Offering 26 Spinning Companies for Privatization because of their Poor Performance

Minister of Industry Aly El Saeedy announced that the value of investments in the spinning and weaving sector totals more than LE 20 billion, and that the number of establishments operating in the sector totals more than 5 thousand establishments, employing approximately 25% of the workforce. During a symposium organized yesterday by the Swiss Embassy in Cairo, in cooperation with the Ministry of Industry, regarding the Egyptian spinning and weaving sector, El Saeedy highlighted the major challenges facing the sector. Minister of Public Enterprise Mokhtar Khattab, who was present at the symposium stated that the Ministry was about to offer a total of 26 sector spinning and weaving companies up for privatization during the coming stage due to their poor performance. Khattab called on Swiss companies to participate in the tenders to be announced by the government soon regarding the sale of these companies.

Al Wafd 17/12/2003

Metallurgical Industries Holding Company Offers its Interest In Arasemco for Sale Today

The Metallurgical Industries Holding Company decided to offer its interest in the Arab Ceramics Company Aracemco for sale under the purchase offers system. An announcement is to be made today regarding the sale of this interest, which amounts to 34.8% of the total shares. Chemist Adel El Danf, Chairman of the Metallurgical Industries Holding Company stated that four groups of investors from Egypt, Syria, and Kuwait had expressed interest in purchasing this holding. This transaction is part of a group of nine companies that will witness the sale of public sector holdings, as per the ministerial privatization committee's decision.

Al Alam Al Youm 17/12/2003

An LE 63 Million Offer for the Purchase of the Glass Containers and Ampoules Factories

Adel El Danf, Chairman of the Mining and Metallurgical Industries Holding Company announced that the company received an offer for the purchase of the glass containers company in Mostorod, and the medical ampoules factory. The LE 63 million offer was received from the Commercial Engineering and Industrial Company. The offer will be submitted to the Holding Company's general assembly because it is lower in value than the approved evaluation. El Danf stated that the envelope opening committee received a previous offer from the same company for LE 40 million, but due to its low value, a

negotiation was conducted with the company and consequently the offer value was increased to LE 63 million.

Al Alam Al Youm 9/12/2003

Offers from Austrian Companies for the Development of the Iron and Steel Sector

Austrian companies have expressed their interest in investing and contributing towards the development of the iron and steel sector in Egypt in light of increased demand at a regional and international level, especially for iron and steel products used in the manufacture of railway carriages and locomotives. During a meeting with Aly El Saeedy, Minister of Industry, agreement was reached on the formation of a work group comprising Egyptian and Austrian experts as well as representatives of Egyptian companies in order to develop a comprehensive vision for the development of the iron and steel sector in Egypt. A group of experts from a number of Austrian companies will be visiting Cairo at the beginning of next year.

Al Abram 4/12/2003

Central Accounting Agency Directed to Prepare Additional report on Financial Violations in Public Enterprise Food Industries Companies

The Peoples Assembly directed the Central Accounting Agency to prepare an additional report on the issue of financial control as relates to food industry companies affiliated to the public enterprise sector. The report should include all the developments related to the financial transgressions uncovered by the previous report submitted by the CAA to the Peoples Assembly, and any indications as to whether these violations have been rectified. The CAA report indicated that stagnant goods inventory within public enterprise sector food industry companies increased to approximately LE 205 million, and debit balances totaled LE 484 million. A total of 7 companies also failed to realize a surplus available for distribution.

Al Wafd 2/12/2003

El Mozy: Losses in the Engineering Industries Holding Company Eat Up Chemical Industries Profits

The merger of the Engineering Industries Holding Company and the Chemical Industries Holding Company resulted in the realization of major losses and financial burdens due to the poor results realized by the Engineering Industries Holding Company which includes eight companies, for the period ending June 30th of this year. Adel El Mozy, Chairman of the Chemical and Engineering Industries Holding Company stated that the Chemical Industries HC realized a surplus of LE 150 million for the period ending June 30th. As for the Engineering Industries HC, this company realized losses of LE 816 million, the final result for the two holding companies being the realization of LE 666 million in losses. El Mozy stated that the Engineering Company's debt of LE 2 billion had been distributed amongst four holding companies; Chemicals, Metallurgical, Construction and Maritime Transport. Of this amount, the Chemicals Industries Holding Company had been allocated a total of LE 890 million.

Al Alam Al Youm 30/11/2003

LE 387 Million in Un-Guaranteed Debts in Food Industries Companies

A report issued by the Central Accounting Agency has revealed serious financial violations in food industries companies affiliated to the public enterprise sector. Credit balances in these companies totaled LE 484.1 million, of which LE 387.3 million are suspended accounts owed by clients and suppliers. The report indicated that weak audit procedures within these companies had contributed to these transgressions, as well as shortcomings in legal proceedings.

Al Akhbar 29/11/2003

Retaining Ownership of 51 Strategic Companies that will not be offered for Sale

The Ministerial Privatization Committee in its meeting yesterday chaired by Prime Minister Atef Ebeid, approved the privatization program which included future privatization plans. The committee indicated that all assets public enterprise sector assets are secure and represent in terms of their value, three times the level of credit and debts owed by MPE companies. The Minister of Information Safwat El Sherif stated that future plans included the privatization of the remaining 178 companies, adding that the MPC had reviewed their financial situation through MPE issued reports. A total of 51 companies will be retained under state ownership in a total of 7 sectors because of their strategic dimension. The MPC in principle agreed to the privatization plan for 2004 that includes the offer of 74 companies for sale, of which 39 will be carried over into 2005.

Al Akhbar 24/11/2003

Peoples Assembly Approves Eight Draft Laws in its current Session

Fathy Serour, Head of the Peoples Assembly stated that necessary action had been taken with the beginning of the new parliamentary session for the formation of specialized committees for the study of 8 new draft laws once the government submits the draft laws. The intent is to ratify the draft laws during the current session of the Peoples Assembly. The economic laws included as part of this package, seek to promote GDP growth rates, with target figures ranging from 5.7% for the current fiscal year 2004/2005 and 7% at the end of the five-year plan period 2006/2007.

Al Abram 21/11/2003

Prime Minister Ebeid to Issue a Decision Organizing the Management of Public Funds in Companies

Prime Minister Atef Ebeid issued a decision concerning the management of public funds, which calls for the ban on the chairmanship of more than one public authority or economic authority or service authority at the same time. This also applies to public enterprise or public sector or joint venture companies or private sector companies whether the company is totally or partially owned by the public sector. It is also not possible to hold more than one executive position in an authority or company. The retirement age for board chairmen or managing directors in authorities and companies that are subject to this decision is 60 years of age, with a one-year extension possible, but extendable only once.

Al Abram 21/11/2003

Recorded Increase in Arab Bolivara Spinning and Weaving Company Profits

Performance results for the Arab Bolivara Spinning and Weaving Company during the first nine months of the current year 2003 show that the company realized a 30% increase in net profits, which recorded LE 14.637 million compared to approximately LE 11.274 million for the same period the previous year 2002. This increase in profits comes in the wake of a 9%

increase in net sales, which were recorded at EL 215.8 million, which also coincided with an increase in the cost of sales to LE 169.1 million.

Al Alam Al Youm 19/11/2003

A Study Regarding the Development of the Privatization Program in Egypt Indicates that Golden Years were 1996 - 2000

A recent economic study regarding the development of the privatization program in Egypt shows that the period between 1996 and 2000 was the most active phase in the privatization program, which kicked off in 1990. The study, prepared by Ihab El Dessouki, indicated that approximately 39% of privatization proceeds were directed to the Ministry of Finance. The study indicated that all performance indicators for companies privatized through the stock market had witnessed a downturn, these included productivity and profitability.

Al Alam Al Youm 17/11/2003

Recorded Increase of 49.5% in profits of United Housing Company

Performance results for the United Housing Company for the past nine months of the current year 2003 show that the company has realized a 49.5% net increase in profits, which recorded a total of LE 6.735 million compared to approximately LE 4.265 million the same period last year. This increase in profits is a result of an increase in net sales to LE 10.038 million, an increase of 0.9%, which also coincided with a decline in the cost of sales by 64.3%.

Al Alam Al Youm 11/11/2003

Egyptian Labor Call for the Withdrawal of the Draft Social Insurance Law from the Peoples Assembly

The Federation of Egyptian Labor Union called on the government to withdraw the draft social insurance law submitted by the Ministry of social insurance, from the Peoples Assembly. Sayed Rashed, Head of the Federation sent a memorandum to Prime Minister Atef Ebeid, in which he indicated that the draft law repeals a total of 15 gains secured by workers over the past decades. Rashed also indicated that the draft law includes a number of faults in the drafting, adding that the law includes more restrictions on entitlement to pensions, by increasing the term of service which entitles to pensions, and a reduction in early retirement without any real justification.

Al Wafd 6/11/2003

LE 4.5 Billion Settled by Public Enterprise Sector Companies to Banks

Minister of Public Enterprise Mokhtar Khattab has indicated that public enterprise sector companies to banks have settled a total of LE 4.5 Billion, and that another LE 6.6 billion had been dispatched to the Ministry of Finance in privatization proceeds. The Minister stated that this amount had succeeded in bringing down the state budget deficit. The minister stated that the privatization program had realized important results and has lead to improvements in the private investment environment and an increase in economic growth rates.

Al Alam Al Youm 4/11/2003

Evaluation of Aracemco and Suez Steel

Hamdy Rashad, Head of the Public Enterprise Office stated that Aracemco and Suez Steel would be offered for sale to the private sector once the evaluation of the public sector's interests in these companies is completed. The evaluation is being carried out in general by specialized entities, and is to be reviewed by the Central Accounting Agency. As for

companies that will be offered for privatization soon, these have been reviewed and are awaiting a final review by the Ministerial Privatization Committee preliminary to sale. According to Rashad, the Egyptian Starch and Glucose Company and May Publishing House have been offered or sale, and that the Akhbar El Youm Institution would soon be making an offer for the purchase of May Publishing House. As for the Starch and Glucose Company, four companies have withdrawn the pre-qualification booklet.

Al Abram 1/11/2003

Lack of Liquidity Delays the Reform of Five Construction Companies

An official source with the Construction and Development Holding Company indicated that only five companies remain to be reformed and restructured within the framework of the plan for restructuring of distressed companies. The source indicated that despite the fact that these companies have not realized any losses over the past two years, yet the major difficulties facing these companies have postponed their restructuring, because of the lack of liquidity. The source indicated that these companies are; Misr Structural Cement Company, Nile Construction and Real Estate Investment, Sepco, Atlas General Contracting and New Valley Contracting and Cairo General Contracting.

Al Alam Al Youm 26/10/2003

LE 8 Million in Profits from El Nasr Fertilizers

The general assembly of El Nasr Fertilizers and Chemical Industries revealed that the company realized profits of LE 8 million, an increase of LE 2 million compared to the previous year. On another note, Mohamed Helal, Chairman of El Nasr Fertilizers stated that the company would contract with a French company for a total of 6 million Euros in order to develop and refurbish the Ammonium Nitrate factory, next month.

Al Alam Al Youm 26/10/2003

Requests from the Arab Manufacturing Corporation and Foreign Companies for the Purchase of Semaf

The Arab Manufacturing Authority and other international firms submitted offers for the purchase of the Semaf Company specialized in the manufacture of trains. Adel El Danf, Chairman of the Metallurgical Industries Holding Company stated that heightened demand for the purchase of the company is attributable to continuous development in the company's administrative and financial structure and the increase in the volume of its operations to approximately LE 1 billion annually. El Danf stated that several foreign companies had sought to purchase the companies at the forefront of which are three US, Japanese and Spanish firms. Conditions set by the HC for the purchase of Semaf, include the need to open new markets and increase its capitalization to support its competitive capabilities.

Al Alam Al Youm 20/10/2003

Electricity Companies Reduce Public Sector Debts in Return for Durable Goods

Electricity companies have started to execute a program for the collection of debts held with economic authorities and government entities as well as public enterprise and private sector companies. These debts have built up to reach billions of Egyptian pounds that have almost resulted in the postponement of the expansion plans in the electricity companies. The Cairo Electricity Distribution Company has succeeded in the reduction in the value of late financial payments due amounting to LE 415 million, to approximately LE 6 million. The company carried out clearance transactions with a number of public sector and public enterprise sector companies to reduce the debts owed by these companies.

Debts were rescheduled for a total of 12 public enterprise sector companies that had collective debts of LE 112 million.

Al Akhbar 18/10/2003

Spinning & Weaving Holding Company: Cotton Crisis Subsides

Mohsen Gilani, Chairman of the Spinning, Weaving and Ready Made Garments Holding Company, stated that the crisis facing spinning & weaving factories had partially subsided and that factories which suspended their operations started to operate once again, but not at their full capacity. Gilani stated that the increase in cotton prices was still a problem and that there was still a lot of speculation on prices, which threatened the market in addition to difficulties in providing the dollar in adequate amounts to cover factories cotton, imports needs.

Al Akhbar 14/10/2003

Table 9
JV Transactions from January 2000 to December 2002

Company	Date of Sale	Public Sector Shares Sold	Remaining State Share (%)	Value of Sale in (LE million)
Egyptian American Insurance Co.	Aug. 00	98%	0	39
Egyptian British Bank	Sep. 00	6%	5%	63
Developing Upper Egypt Industrial Co.	Oct. 00	14%	9%	0.2
National Food Industries (SONAT)	Dec. 00	10%	0	3.6
Arab Financial for Exchange	Feb. 01	25%	0	1.1
Fast Tourism Projects & Ambulances	Feb. 01	10%	0	1.4
Misr Amereyah Spinning and Weaving	Apr. 02	Lease	N/A	850
Egyptian Glass Company - EGC	Jun. 02	67%	0	206
El Gezira Hotels and Tourism Company - Gezira Sheraton Hotel	Nov 02	64.9%	0	181
Ideal Standard	Sept 03	20	0	26.2
May Press	Dec.03	17.5	0	2.6
3 Movie Theaters	Dec.03	Lease	N/A	112.7
TOTAL				1722.6

Source: PEO

Table 10
Majority Privatization: Sales to Anchor Investors

Name of Company	Date of Contract	Private Sector %	ESA %	Remaining HC Share %	Total Sale Value (LE million)	Approval to Law 159
Pepsi Cola	11-4-1994	90.00	10.00	0.00	131	16-12-94
Coca-Cola	20-04-94	90.00	10.00	0.00	286	16-12-94
El Nasr Boilers	27-09-94	100.00	0.00	0.00	16	6-12-1994
El Nasr Transformers (Elmaco)	25-02-96	90.00	0.00	10.00	115	13-07-96
Al Nasr Utilities	4-8-99	90.00	0.00	10.00	40	30-06-97
Al Ahram Beverages	13-11-96	90.00	10.00	0.00	298	18-02-97
Misr Mechanical and Electrical Projects (Kahromica)	26-8-96	61.00	10.00	29.00	103	18-09-97
Modern Textiles (Bolivara)	30-06-97	100.00	0.00	0.00	33	N/A
Delta Industries (Ideal)	Dec-97	90.00	10.00	0.00	311	5-1-1998
Kaha for Preserved foods	Aug-98	90.00	10.00	0.00	154	Feb-01
El Wadi for Exporting Agricultural Products	17-11-98	68.00	27.00	5.00	122	18-12-98
Nobareya for Seeds Production - Nobaseed	24-02-99	100.00	0.00	0.00	103	20-04-99
Gianaclis	4-3-1999	100.00	0.00	0.00	32	N/A
Beni Suef Cement	5-7-1999	76.00	5.00	19.00	427	29-08-99
	(2-02-00)	19.00	-	0.00	100	
Delta Sand Bricks	5-7-1999	90.00	10.00	0.00	62	25-09-99
Arabia Foreign Trade	Aug-99	90.00	10.00	0.00	15	27-04-00
Assiut Cement	Nov-99	77.00	10.00	13.00	1,197	1-11-1999
	(Jun-00)	13.00	-	0.00	183	
Alexandria Cement	30-11-99	90.00	10.00	0.00	670	Feb-00
Industrial Gases	22-12-99	90.00	10.00	0.00	60	Feb-00
Telephone Equipment	Dec-99	80.00	10.00	10.00	100	12-2-2000
	14-02-02	10.00	-	0.00	11	
Torah Portland Cement	26-01-00	76.40	5.00	18.60	1,226	Mar-00
Plastic & Electricity Industry	3-2-2000	90.00	0.00	10.00	94	Feb-00
Ameriyah Cement	Mar-00	29.00	0.00	0.00	527	1-10-1998
Ramsis Agriculture	30-01-00	100	0.00	0.00	161	Oct-98
Egyptian Engineering & Equipment (MICAR)	Jun-00	90.00	10.00	0.00	25	15-07-00
Alexandria Confectionary	Aug-00	90.00	0.00	10.00	28	Nov-99
Egyptian Gypsum	8-2-2001	90.00	0.00	10.00	83	7-12-2000
Arab for Carpets	5-7-2001	100	-	-	50	14-4-2001
Abou Zaabal Fertilizer* (lease)	23-11-01	0.00	0.00	100	183	13-1-1999
Egypt Shipbuilding and Repair	Jan-00	100	0	0	17.5	Nov-02
Total					6,964	

Source: PEO

Table 11
Majority Privatization: Public Offering

Name of Company	Date of Sales	Private Sector %	ESA %	Remaining HC Share %	Total Sale Value (LE Million)	Approval to Law 159
United Arab for Spinning & Weaving	(1994) 1998	60.40	6.90	32.70	121	5-5-1997
Ameriyah Cement	(1994) 1998	61.00	10.00	0.00	768.2	1-10-1998
Alex. For Spinning & Weaving	(1995) 1998	94.60	5.40	0.00	82.4	5-3-1998
Egyptian Electrical Cables	(1995) 1997	95.00	5.00	0.00	320.8	8-12-1997
Extracted Oils	30-03-95	42.53	8.54	48.93	85	26-04-98
Paints & Chemicals (Pachin)	(1995) 1997	53.75	8.00	38.25	691.8	3-10-1997
Helwan Portland Cement	(9-11-95)	47.20	5.00	47.80	541	4-1-1997
	12-3/-996					
	(6-09-01)	47.80	0.00	0.00	661.2	
United Housing (& Construction)	12-2-1996	3.11	7.00	0.00	5	21-05-96
Abou Kir Fertilizers	May-96	2.80	0.00	0.00	20	See Notes
Medinet Nasr Housing / Construction	13-05-96	64.94	10.00	25.06	189.6	30-06-96
Egyptian Financial & Industrial Co	26-05-96	64.70	10.00	25.30	70	30-06-96
Egyptian Starch & Glucose	18-06-96	51.03	10.00	38.97	67.6	10-9-1996
Middle & West Delta Mills	30-06-96	51.00	10.00	39.00	177.1	30-10-96
Nile Matches (and Prefabricated Houses)	Sep-96	55.67	8.90	35.43	33.9	28-09-96
Kafr El Zayat for Insecticides	Sep-96	70.00	5.00	25.00	59.5	28-09-96
	(Feb-01)	25.00	0.00	0.00		
Misr Oil & Soap	7-8-1996	50.92	10.00	39.08	73.2	17-09-96
Arabia Cotton Ginning	Sep-96	90.00	10.00	0.00	87.1	21-12-96
Telemisr	9-1-1996 (03-1999)	90.00	10.00	0.00	59.1	25-11-96
Upper Egypt Flour Mills	4-11-1996	51.00	10.00	39.00	165.3	4-11-1996
East Delta Mills	18-11-96	51.00	10.00	39.00	109.9	18-11-96
Nile Cotton Ginning	Jan-97	90.00	10.00		294.8	27-07-97
Misr for Free Shops	2-2-1997	87.40	10.00	2.60	132.7	21-05-97
Cairo Housing & Construction	24-03-97	69.38	10.00	0.00	117.8	29-04-97
Development & Engineering Consulting	30-04-97	88.00	10.00	0.00	104.4	21-05-97
Nobareya Agricultural Eng.	14-05-97	79.38	20.00	0.62	26.9	21-06-97
KABO	11-6-1997	63.00	0.00	7.00	196.9	18-05-96
Middle East Co. for Paper SIMO	22-06-97	75.00	0.00	25.00	54.8	19-08-97
Upper Egypt Contracting	6-5-1997 (4-07-98)	75.00	10.00	15.00	15	29-06-97

Nasr Dehydrated Agricultural Products	11-8-1997	90.00	10.00	0.00	23.6	14-12-96
El Giza Contracting	15-09-97	70.00	10.00	20.00	33.2	16-11-97
Industrial & Engineering Projects	29-10-97	80.00	10.00	10.00	299.1	30-12-97
El Nasr Casting	Dec-97	0.00	32.50	0.00	47.5	24-11-97
Mahmoudia Contracting	17-01-98	69.75	10.00	20.25	54.4	15-02-98
El Shams Housing	Oct-98	50.46	5.00	44.54	30.8	13-10-98
El Nasr Civil Works	24-05-98	70.67	10.00	19.33	104.6	30-06-98
Arabia & United Stevedoring	5-16-1998	29.50	21.95	49.00	16.6	11-1-1999
	11-8-1998					
Bisco Misr	(Jun-00)	45.69	9.30	45.01	88.7	Oct-98
(Second Tranch for ESA)	5-26-1998	0.00	8	37.01		
Cairo Co. for Oil & Soap	Jul-00	61	0.00	39.00	33	Jul-98
Total					6,064	

Source: PEO

Table 12
Majority Privatization: Majority Sales to ESAs

Name of Company	Date of Contract	Private Sector %	ESA %	Remaining HC Share %	Total Sale Value (LE Million)	Approval to law 159
Consulting Office for Irrigation	25-Jun-94	4.00	95	1.00	1.3	27-04-94
Kom Ombo Valley	15-Sep-94	4.73	95	0.27	70.1	27-04-94
General for Land Reclamation	11-Oct-94	4.86	95	0.14	60	27-04-94
Egyptian Real Estate	16-Nov-94	4.70	95	0.30	45.7	27-04-94
General Mechanical Excavation	16-Nov-94	4.76	95	0.24	23.4	27-04-94
Egyptian Dredging	12-Jun-94	4.17	95	0.83	18.5	27-04-94
Upper Egypt Dredging	12-Jul-94	4.80	95	0.20	8	27-04-94
Regwa	1-Mar-95	4.77	95	0.23	28.3	27-04-94
Arabia for Land Reclamation	1-Jul-95	4.77	95	0.23	61.2	27-04-94
El Beheira Company	16-Feb-95	3.20	95	1.80	49	27-04-94
El Nile for Heavy Transport	15-Nov-97	0.00	95	5.00	27.2	18-10-98
El Nile for Goods Transport	15-Nov-97	0.00	95	5.00	24.1	24-10-98
El Nile for Inland Transport	15-Nov-97	0.00	95	5.00	27.3	18-10-98
Damietta & Bilkas Mills	1-Jan-98	0.10	90	9.90	48.6	27-06-99
Sharkeya Mills	7-Jan-98	0.10	90	9.90	38.7	4-3-1999
Kafr El Sheikh Mills	27-Jul-98	0.10	90	9.90	13	19-09-99
Rasheed Mills	26-Sep-98	0.10	90	9.90	11.5	30-10-99
El Beheira Mills	26-Sep-98	0.10	90	9.90	21.8	8-8-1999
Dakahleya Mills	10-Mar-98	0.10	90	9.90	36.7	27-06-99
Alexandria Mills	10-Oct-98	0.10	90	9.90	26.8	10-7-1999
Marine Supp. & Contracting	19-Oct-98	-	51	49.00	16.4	5-11-1998
Amoun Shipping Agencies	11-Apr-98	51.00	44	5.00	25.9	11-3-1999
	30-Jan-99					
Abu Simbel Shipping Agencies	11-Apr-98	51.00	44	5.00	26	11-3-1999
	(30-01-99)					
Memphis Shipping Agencies	11-Apr-98	51.00	44	5.00	43.3	11-3-1999
	30-Jan-99					
Martrans	11-Oct-98	44.00	51	5.00	42.7	11-3-1999
San El Hagar Agricultural	3-Jan-99	0.00	95	5.00	18	14-03-99
Egyptian for Irrigation	1-Jan-99	60.00	30	10.00	5.2	14-03-99
Transport Works	7-Jan-99	0.13	95.00	4.87	11.8	25-12-99
Direct Transport	7-Jan-99	0.08	95.00	4.92	17.7	25-12-99
Suez Stevedoring	24-Oct-99	0.19	61.88	6.69	21.8	1-2-2000
Gharbeya Mills	Jul-01	0.00	90	10	51.2	19-7-2001
Misir for Export & Import	30-Jul-01	0.00	95	5.00	17.9	1-11-1998
United for Trade	19-Feb-02	0.00	98	2	4.9	2-11-2002
Arab Textiles	19-Feb-02	0.00	98	2	5.8	2-11-2002
Total					950	

Source: PEO

Table 13
Majority Privatization: Liquidations

Name of Company	Date	Liquidator
Upper Egypt Agricultural	17-04-90	Ahmed Serrafy
West Nobareya Agricultural	10-11-91	Ahmed Abu Hadab
Middle Delta Agricultural	10-11-91	Farouk Omar
Al Nahda Agricultural	26-11-91	Mahfouz Boutros
El Nile for Corps Export	7-1-1992	Youssef Al Hayatmi
Cairo for Building & Prefab Houses	15-06-93	Mohamed Shoukri
South Tahrir Agricultural	28-02-94	Mahfouz Boutros
Faraskor for Wood	7-5-1994	Mohamed Mounir - Abdel Aziz Hareedi
General for Foundations	23-02-95	Abdel Halim Abdel Fattah
General for Contracting & Sanitary Works	23-02-95	Abdel Moneim Akl
High Dam for Civil Works	18-03-96	Moustafa Nour
Canaltex	26-08-97	Badr El Dakar
Pre-Fabricated Houses	5-11-97	Saad Salem
General for Batteries	1997	Mohamed Rashid
Cairo for Silk Textiles	1-7-1998	Wageeh Rady
Industrial Fittings & Services	13-07-98	Yousry Yousry
Graphite & Stationary Co.	15-09-98	Ali Waly
General for Metallurgical Wealth	28-09-98	Mohamed Shalakany
Maryout Agriculture	17-10-98	Abdel Bary Abdel Bary
Egyptian for Leather Tanning	25-11-98	Hosny Mowafy
Sand Bricks	6-2-1999	Fekry Fashara
Egyptian General Agriculture Co.	11-9-99	Hamed Abu Ghaleb
General Co. for Production & Agricultural Services	11-9-1999	Essam Zerd
Egyptian Co. for Meat Production and Dairy	23-09-99	Fardous Badran
North Tahrir Agricultural Co.	25-09-99	Mohamed Borhan
Egyptian Gypsum Quarry & Marble - Gemco	14-10-99	Sarwat Abdullah
Al Nasr Refractories - Sornaga	29-12-99	Mr. Ali El Din Mohamed Badra
General Co. for Engineering Works	8-5-2000	Samir Kenaway
Egyptian Refractories	13-02-00	Osama Mahmoud
United Poultry Production	24-06-00	Hamed Abu Ghaleb
Egyptian Electrical Equipment (Shaher)	Jan-01	Eng. Nagwa Fakher
Egyptian Company for Metal Trade (Segal)	Jan-01	Maher Abdullah
Alexandria for Cooling	13-8-02	Ahmed Ibrahim Ismail

Source: PEO

Table 14
Privatization Achievements: Minority Public Offerings

Name of Company	Date of Contract	Private Sector %	ESA %	Remaining HC Share %	Total Sale Value (LE Million)
Arab Bureau for Design	24-Jul-94	5.00	40.00	55.00	4
Misr for Chemicals	Jan-95	51.10	0.00	48.90	65.4
North Cairo Mills	29-May-95	33.42	8.25	58.32	136
Eastern Tobacco	22-Jun-95	28.70	5.00	66.30	549
	(06-03-1997)				
Heliopolis Housing	15-Aug-95	10.47	9.53	72.86	135
	14-Dec-96	7.14			
Alexandria Pharmaceuticals & Chemicals	1995	30.00	10.00	60.00	52
	(1996)				
Nile Pharmaceuticals	1995	23.30	10.00	66.70	55
	(1998)				
Middle Egypt Mills	10-Apr-96	30.07	10.00	59.93	32
South Cairo Mills	26-May-96	30.00	10.00	60.00	30
Memphis Pharmaceuticals	Sep-96	30.00	10.00	60.00	48
Arab Pharmaceuticals	Sep-96	30.00	10.00	60.00	18
General for Silos	28-Oct-96	30.00	10.00	60.00	148
Cairo Pharmaceuticals	Nov-96	30.00	10.00	60.00	62
Alexandria Mills	29-Jun-97	30.00	10.00	60.00	125
Misr Aluminum	1997	8.00	0.0	92.00	221
Mokhtar Ibrahim	24-Jun-98	3.45	10.00	86.55	76
Total					1,755

Source: PEO

Table 15
Privatization Achievements: Production Assets Sold

Sold Assets Statement	Owner	Date of Selling/ Contracting	Value (LE million)
Cairo Sheraton	EGOTH	14-Nov-96	350
Al Borg Hotel	Egyptian Hotels	6-Nov-97	6
San Stepheno Hotel: Lands & Premises	Egyptian Hotels	Aug-98	271
Siklam Factory	N/A	27-Aug-98	19.5
Distillation Factory	Egyptian Koroum	8-Oct-98	26
Plastic Factory in Kabari	National Plastics	22-Jun-99	2.53
Kowar Grinding Balls Factory	Delta for Steel	Aug-99	28
Production Line for Yoghurt & Ice Cream	Plastic Factory - Victorya	24-Nov-99	0.6
Basatin Factory	Sabi Company	30-Nov-99	14
Tinning Factory in Ghamara	Cairo Metal Products	22-Jan-00	0.6
Nile Hotel	N/A	Feb-00	49
Agriculture Dehydration factory	Gianaclis	Jun-00	3.7
Oil and Olive Production	Gianaclis	Jun-00	0.5
Barrel Factory	Alex Metal Products	Jul-00	11
Home Appliances Factory	Neesae Company	Dec-00	19.3
Nozha Factory	Alex Metal Products	Jan-01	25
Factory for Steel Enamel Sheets	Cairo Metal Products	Jan-01	2.65
Nadler Factory	Alex Confectionary	30-Jan-01	10.5
Medical Ampoules Factory	El Nasr Glass and Crystal	Apr -02	20
Shobra Armenian Factory	Cairo Metal Products	Jul-02	8.5
Liquid Batteries factory	National Plastics	Nov-02	1.2
Bags factory	National Plastics	Nov-02	2
Isis Floating Hotel	EGOTH	Mar-17-03	8.9
Osiris Floating Hotel	EGOTH	Mar-17-03	7.6
Yassin Factory	El Nasr Glass and Crystal	Sept. 203	31
Medical Ampoules Factory	El Nasr Glass and Crystal	Nov.03	15
The Bottles Factory	El Nasr Glass and Crystal	Nov.03	48
The Shoes Factory	Al Nasr Leather Tanning	Nov.03	2.2
Total			1,044

Source: PEO